

Ecuador

The Development Challenge: Situated in the heart of Latin America's most conflicted region, Ecuador's importance to U.S. interests far outstrips its size. In addition to democracy, economic development, and promoting open markets, U.S. foreign policy priorities in Ecuador include regional stability and fighting narcotics trafficking and terrorism. A democratic, prosperous, and secure Ecuador can play a key role in stabilizing the northern Andes and curbing the spread of narco-terrorism and violence. Many factors, however, will shape and challenge the future of Ecuador.

While the 2002 elections were praised by all observers as the freest and fairest in Ecuador's history, President Gutierrez took office in January 2003 amidst deteriorating social and economic circumstances. The new Government of Ecuador (GOE) faces alarmingly low levels of support and confidence in democracy, troubling macro-economic indicators, and the need to rationalize the country's dollarization model through fiscal responsibility and reform. With an external debt that amounts to 80% of the country's \$20.6 billion gross domestic product (GDP) and a poverty rate of over 60%, experts agree that Ecuador's solution rests in austere fiscal policy. At the same time, Gutierrez has committed his government to significantly increasing spending on social sector programs. Gutierrez' immediate challenge, therefore, will be to reassure the international financial institutions that he is a responsible fiscal manager without unleashing the social unrest that is latent among the population at large. A further challenge for the new GOE is the coca/cocaine industry (and its related narco-terrorist elements) in Colombia, which continues to impinge upon Ecuador's impoverished northern provinces, creating displaced persons, as well as asylum seekers and refugees from Colombia. Additionally, Ecuador's biodiversity continues to be under threat, as a result of social and economic pressures. Ecuador's deforestation rate is the second highest in South America and its over-fishing rate continues to be alarming. Highlighting the population's dissatisfaction with the present social and economic system, emigration numbers increased sharply in 2002. Ecuador continues to be the largest regional source of illegal immigrants to the United States. As a result, the country's unemployment rate has fallen to a deceptive 9.4% as compared to last year's 11%.

The USAID Program: USAID's development program in Ecuador continues to respond to the many challenges confronting the country today. USAID is requesting funds for five major program areas: democracy, poverty reduction, environment, and Ecuador's northern and southern borders. USAID is providing critical help to make democratic institutions more transparent, accountable, and inclusive while encouraging consensus building vis-a-vis national policy issues. Through its Poverty Reduction Program, USAID will continue to expand access to microfinance services and provide technical assistance to support macroeconomic policy reform. Targeted efforts are underway through USAID's Environmental Program to reduce resource-based conflicts and support the sustainable use and conservation of Ecuador's globally significant and economically important biological resources. USAID will continue to support the Government of Ecuador to mitigate the spillover threats from the civil conflict in neighboring Colombia, through support for social infrastructure, local government and community strengthening, and job creation in Ecuador's northern border. USAID's Southern Border Integration Program continues to help consolidate the Ecuador-Peru peace process by providing assistance to one of the poorest regions of the country, which unfortunately plays an important role in the illegal movement of drugs and precursor chemicals. By targeting assistance toward the country's fragile economy, its political system and its most vulnerable regions, USAID's program is assisting Ecuador to meet development challenges and enhance the country's economic and social stability.

Other Program Elements: In addition to resources requested in the attached Data Sheets, USAID's centrally-funded Living Landscapes Program provides assistance through the Wildlife Conservation Society to conserve the biodiversity of the Greater Yasuni-Napo Moist Forest Landscape Conservation Area in the Ecuadorian Amazon. This program is working with indigenous groups, public- and private-sector stakeholders (including local oil companies), and NGO partners to develop a strategy to improve management of the protected areas and surrounding biological resources. The Washington-managed Collaborative Research Support Program (CRSP) brings the expertise of several U.S. universities to Ecuador to reduce the very high levels of pesticides now used on target crops and to improve crop yields.

The National Endowment for Democracy has supported research and dialogues on civil-military relations in Ecuador. In addition, the Washington- managed "Making Cities Work" project, which is jointly funded by the Mission and the Global Health Pillar Bureau in USAID Washington, supports research on the decentralization of health services to Ecuadorian municipalities. Agreement between USAID and the General Secretariat of the Andean Community (CAN) has also paved the way for collaboration in the areas of Free Trade Area of the Americas/World Trade Organization customs and related measures, competition policy, and sanitary/phytosanitary measures and food safety.

Other Donors: USAID coordinates with many bilateral and multi-lateral institutions at "roundtable" discussions organized by the Government of Ecuador's Ministry of Foreign Affairs. This coordination mechanism is in its incipient stages and is serving to eliminate operational constraints common to donors. A web page consolidating all international cooperation has also been designed and is functioning. In 2001, Ecuador received \$953 million in international cooperation, of which 24% was in grant assistance and 76 in loans. As compared to last year (2000), this signals an 89% increase in grant assistance to Ecuador. In 2001, the United States accounted for 48% of the grant assistance to Ecuador and ranked as the top donor, followed by the European Union and Japan. Sectors that have benefited the most from other donor assistance have been Regional Development (40% of the total), Social Development (13% of the total), Agriculture, Silviculture and Fisheries (7% of the total), Health (6% of the total), and Natural Resources (6.0% of the total). Of this assistance, 70% was concentrated on the development of local and rural areas. Loans to Ecuador totaled \$725 million. The Andean Development Corporation (CAF) ranks first with 45% of the total followed by the Inter-American Development Bank (IDB) and the World Bank (WB).

USAID coordinates with the CAF, IDB, IMF and World Bank in the area of macroeconomic policy reform. For debt restructuring, USAID is the lead coordinator among the most influential donors (International Monetary Fund, World Bank, Inter-American Development Bank, Andean Development Corporation). Consequently, this very successful donor coordination experience has set the tone for similar efforts across the gamut of macroeconomic initiatives in which USAID will be involved in the future. Under the same program a committee for the coordination of microfinance activities has been consolidated with all the active players in this area, and USAID has been forming a similar group in the areas of competitiveness, and trade capacity building, together with the IDB and the World Bank. USAID will continue to build upon its donor coordination initiatives, particularly as it awaits definition of the new Government's development agenda and international cooperation plans.

Ecuador
PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Andean Counterdrug Initiative	0	10,000	16,000	15,000
Child Survival and Health Programs Fund	0	0	0	300
Development Assistance	8,184	6,840	7,130	7,130
Development Credit Authority	0	198	0	0
Economic Support Fund	8,984	17,250	22,250	16,250
PL 480 Title II	0	1,530	0	0
Total Program Funds	17,168	35,818	45,380	38,680

STRATEGIC OBJECTIVE SUMMARY

518-001 Biodiversity Conservation				
DA	4,637	5,375	5,100	5,000
ESF	0	2,000	2,000	1,000
518-002 Family Planning/Maternal Child Health Services				
CSH	0	0	0	300
DA	1,247	0	0	0
518-011 Southern Border Integration				
ESF	3,493	2,250	2,250	2,250
518-012 Democracy and Conflict Prevention				
DA	600	85	0	100
ESF	3,500	8,000	10,000	8,000
518-013 Northern Border Development Program				
ACI	0	10,000	16,000	15,000
518-014 Poverty Reduction				
DA	1,700	1,380	2,030	2,030
DCA	0	198	0	0
ESF	1,991	5,000	8,000	5,000

Data Sheet

USAID Mission:	Ecuador
Program Title:	Biodiversity Conservation
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	518-001
Status:	Continuing
Proposed FY 2003 Obligation:	\$5,100,000 DA; \$2,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$5,000,000 DA; \$1,000,000 ESF
Year of Initial Obligation:	FY 1997
Estimated Completion Date:	FY 2006

Summary: USAID's Biodiversity Conservation Program emphasizes protection of biologically-important areas within the country's protected areas system, buffer zones and other areas of high biological importance. Emphasis is placed on strengthening local conservation organizations, increasing community participation in natural resource management, and supporting the protection of globally significant species and areas.

Inputs, Outputs, Activities:

FY 2003 Program:

Conservation of areas managed by indigenous groups (\$1,350,000 DA and \$2,000,000 ESF). Ecuador provides outstanding opportunities for the conservation of globally- significant biological diversity. Much of this diversity is concentrated in the northern border and Amazon Basin provinces. These unique resources are under increasingly serious threats, including increasing problems with wood cutters invading indigenous protected areas and the growing spillover effects of drug- related violence in Colombia. Indigenous groups and territories constitute the first line of defense against biodiversity loss. In FY 2003, USAID will continue to provide technical assistance to support the territorial integrity of areas managed by indigenous groups and the consolidation of their governance systems. An added benefit of the activity will be to help stabilize the conflict-prone northern border and prevent unauthorized colonization and conversion of some of the world's most biologically rich forest habitats. USAID's principal partner is Chemonics International. However, USAID expects to continue working with its existing prime partners in the Galapagos, the Charles Darwin Foundation, and the Galapagos National Park.

Conservation of the Galapagos Islands (\$1,710,000 DA). FY 2003 funds will support sustainable management and conservation activities in the biologically-rich Galapagos Islands. Funding will support three important areas: 1) participatory fish stock management/data base development followed by participatory implementation and enforcement of fishing limits and regulation; 2) implementation of a community-based ecotourism plan on Isabela Island as an alternative income source to destructive over-fishing; and 3) increased awareness and education about the fragility, complexity, and importance of long-term and sustainable resource management in the Galapagos. FY 2003 funds will enhance the Galapagos National Park's (GNP) ability to monitor and protect the Galapagos Marine Reserve. Implementation of the Comprehensive Sustainable Ecotourism Plan for the Galapagos including Isabela Island is scheduled for FY 2003 through FY 2006. Implementing partners will be selected through a competitive process.

Protection of Quito's water supply (\$2,040,000 DA). Information gathered on the biodiversity health of the Condor Bioreserve will be utilized to prioritize conservation activities within the reserve and intervening lands in order to help ensure Quito's future water supply. Technical assistance will be provided for the full operation of the Water Fund (FONAG) to begin implementing concrete conservation projects within the watersheds that supply Quito. In addition, USAID will continue supporting conservation activities in the watersheds under the Parks in Peril Program (PiP), which is partially USAID/Washington funded.

Implementing partners for additional support to water conservation will be selected during a competitive process.

FY 2004 Program:

Conservation of areas managed by indigenous groups (\$1,900,000 DA, \$1,000,000 ESF). Based upon the results gained in the first year of implementation, USAID will continue the activities for the conservation of the areas managed by indigenous groups through FY 2006. The main focus of activities will be to assist federation organizations in protecting their legal territories, sustainable natural resource use, and coordination with other donors and programs in the area.

Conservation of the Galapagos Islands (\$1,600,000 DA). USAID anticipates continued support for biodiversity conservation in the Galapagos through FY 2006, based upon the emerging threats to this UNESCO Global Heritage Site. This includes continued fish stock monitoring, marine reserve protection, and institutional strengthening of the GNP and local governments.

Protection of Quito's water supply (\$1,500,000 DA). USAID will continue to build on the achievements made for the protection and conservation of the Condor Bioreserve. Most importantly, protection of Quito's water supply activities will begin to increase public awareness of problems through consensus building and public consultations with stakeholders, improve the legal and institutional framework for water resources management, increase the focus on demand management and conservation measures, and increase financing for watershed protection through appropriate user fees.

Performance and Results: Ecuador is unquestionably a top priority for global biodiversity conservation. USAID's environment program has achieved important results which have helped to conserve Ecuador's rich biological diversity and the cultural heritage of those most dependent upon healthy ecosystems. Targeted local conservation organizations have been strengthened in their administrative, financial and technical capabilities. As a result, these organizations have had access to other donors' funds and have significantly increased financing by outside sources, securing their operations for the long-term. The program has worked intensively for the conservation of species having high biological value. As a result, 1.5 million hectares are being conserved by local organizations. Community participation in natural resource management has also increased and 2.2 million hectares are managed with participatory natural resources management plans. An increase in environmental awareness and activism has resulted from these efforts, which will assure that the future generations of Ecuadorians put higher intrinsic and economic value on maintaining and/or restoring these resources. Once this is achieved, sustainable conservation will continue far into the future and after USAID's programs are complete.

One of USAID's most important long-term accomplishments was to build a critical mass of community members who understand and are committed to sustainable development. USAID's program activities have played a critical role in promoting sound land use management in the targeted areas and their buffer zones and have made substantial contributions to national level policies involving land tenure and forestry.

Continued efforts under this program through FY 2006 will result in the completion of forest cover inventories and implementation of viable community-based natural resources management plans on territories belonging to the Awa and other indigenous peoples. Other anticipated outcomes of USAID support are: the pace of consolidation of indigenous territories strategically situated along the northern border with Colombia will have accelerated; improved policy and legal frameworks for the protection of Ecuador's rich species biodiversity will have been functioning, with local communities demonstrating the use of improved conservation and management practices; the management of Quito's water supply will have improved; and the Galapagos park management system will have been strengthened to reduce resource based conflicts, promote community-based sustainable eco-tourism, environmental education, and participatory fish stock management.

US Financing in Thousands of Dollars

Ecuador

	DA	ESF
518-001 Biodiversity Conservation		
Through September 30, 2001		
Obligations	15,590	0
Expenditures	12,498	0
Unliquidated	3,092	0
Fiscal Year 2002		
Obligations	5,371	2,000
Expenditures	6,627	0
Through September 30, 2002		
Obligations	20,961	2,000
Expenditures	19,125	0
Unliquidated	1,836	2,000
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	5,100	2,000
Total Planned Fiscal Year 2003		
Obligations	5,100	2,000
Proposed Fiscal Year 2004 NOA		
Obligations	5,000	1,000
Future Obligations	5,100	2,000
Est. Total Cost	36,161	7,000

Data Sheet

USAID Mission:	Ecuador
Program Title:	Family Planning/Maternal Child Health Services
Pillar:	Global Health
Strategic Objective:	518-002
Status:	Continuing
Proposed FY 2003 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$300,000 CSH
Year of Initial Obligation:	2001
Estimated Completion Date:	2004

Summary: : USAID plans to conduct a Demographic and Health Survey(DHS), or similar type of survey, in Ecuador in FY 2004. It is possible that this initiative would be part of a larger effort. The results of the DHS, or other similar survey, will help determine Ecuador's health needs and the possible role for USAID.

Inputs, Outputs, Activities:

FY 2003 Program:

The DHS-type survey will be conducted in FY 2004.

FY 2004 Program:

A Demographic and Health, or similar type of survey, conducted in Ecuador will assist the mission and its development partners determine if there is a possible role for USAID in the health sector. DHS surveys seek to improve the quality and reliability of population based statistical information obtained through appropriate data collection, analysis, and evaluation; and to strengthen the data collection and utilization capabilities of host-country institutions.

For example, the DHS continues USAID's involvement in global data collection with an increased focus on country data needs and on utilization of data for evaluation and monitoring purposes. The DHS emphasizes both qualitative and quantitative data collection methods and includes non-survey data collection approaches such as information systems and service statistics.

The DHS Core Questionnaire includes a five-year monthly calendar of all pregnancies, quality of care, postnatal care, vitamin A intake, sanitation practices, decision making about children's and women's health, and anemia testing for all children and women of reproductive age. The surveys also include an expanded set of questions on HIV/AIDS and STIs. Other modules have been added on such topics as malaria, health expenditures, women's empowerment, and domestic violence.

Performance and Results: Based on the results of the survey, USAID will determine the degree of health services available and meeting the needs of the population and decide if there is a gap in service provided that USAID could help fill.

US Financing in Thousands of Dollars

Ecuador

	CSH	DA
518-002 Family Planning/Maternal Child Health Services		
Through September 30, 2001		
Obligations	21,701	19,969
Expenditures	21,606	18,742
Unliquidated	95	1,227
Fiscal Year 2002		
Obligations	0	0
Expenditures	0	1,227
Through September 30, 2002		
Obligations	21,701	19,969
Expenditures	21,606	19,969
Unliquidated	95	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	0	0
Total Planned Fiscal Year 2003		
Obligations	0	0
Proposed Fiscal Year 2004 NOA		
Obligations	300	0
Future Obligations	0	0
Est. Total Cost	22,001	19,969

Data Sheet

USAID Mission:	Ecuador
Program Title:	Southern Border Integration
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	518-011
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,250,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$2,250,000 ESF
Year of Initial Obligation:	FY 1999
Estimated Completion Date:	FY 2005

Summary: The goal of USAID's Southern Border Integration Program is to improve social and economic conditions of inhabitants along the Peru-Ecuador border, encourage equitable development on both sides of the border, and improve border integration. USAID's program includes training and technical assistance for integrated activities targeted to improve the quality of life of border populations by improving local capacities to plan and manage their development processes; developing basic capacities for a healthy and productive life; increasing respect and protection of rights of the border population, particularly those of women and indigenous people; and increasing support to the Peace Accords.

Inputs, Outputs, Activities:

FY 2003 Program:

Expand and improve social services (\$980,000 ESF). USAID will use FY 2003 funds to expand ongoing access to social services (e.g. potable water, sanitation, and garbage collection). Twenty new or improved potable water systems will be in place, along with 807 new or improved sanitation units, and five new or improved garbage collection or recycling programs. Efforts will focus on increasing coverage of essential health services at the community and village levels. This component is expected to benefit approximately 37,000 new beneficiaries. CARE is the prime implementer and sub-implementers are Plan International and Municipal Councils.

Improve natural resources management (\$790,000 ESF). It is expected that an additional 20,000 hectares of land will be under natural resource management plans and an additional 20,000 hectares with legal titles. USAID will provide technical assistance and training to help develop two policy documents for the purpose of strengthening the legal basis for conservation and development in the Cordillera del Kutuku and its area of influence and increasing the participation of indigenous groups. The approximate number of direct beneficiaries for this component will be 12,000. The prime implementer is CARE and sub-implementers are World Conservation Society (WCS) and a local NGO, Jatun Sacha.

Local government strengthening (\$480,000 ESF). Funds will be used to provide technical and training assistance to six additional local government entities to improve their capacity to plan and implement service delivery programs and to four additional municipalities to improve service delivery management. These local governments are including in their development plans the needs of the different ethnic and gender groups, promoting their participation through meetings with associations and chambers. The prime implementer is CARE and sub-implementers are Dutch Service for Development Cooperation (SNV), Pan-American Health Organization (PAHO) and Plan International.

A cross-cutting theme within the Southern Border Program is the achievement of long-term sustainability. Communities which have demonstrated good management of small infrastructure projects are rewarded with the potential support for additional community efforts. Furthermore, to build local capacity, the program has been providing technical assistance, seminars and field visits that strengthen skills to effectively manage, maintain and sustain USAID-financed interventions.

FY 2004 Program:

Expand and improve social services (\$980,000 ESF). Funds will be used for important follow-up work to assure the long-term sustainability of USAID's efforts, such as providing operational guidance to the democratically formed potable Water Boards and local government sanitation and garbage collection management units. This component will benefit approximately 37,000 new beneficiaries.

Improve natural resources management (\$790,000 ESF). USAID will continue to provide technical assistance and training in natural resource management and will increase the land area with legal titles in or near protected area buffer zones and the number of hectares in select areas that are under natural resource management plans. This will contribute to the conservation of this region's rich biological diversity and complement USAID's environment program interventions. This component will benefit approximately 12,000 new beneficiaries.

Local government strengthening (\$480,000 ESF). USAID plans to expand its efforts to improve the capacity of local governments to plan projects and implement service systems using consultative processes with local citizenry and improved service delivery management practices. This will complement USAID's work in the democracy sector.

Performance and Results: Through FY 2002, the program benefited 288,000 persons along the border. This is 93% of the planned number at this implementation stage.

In early FY 2002, regular cross-border coordination and planning meetings began. These efforts aim to better integrate commerce and land management among border communities, and involve the active participation of national and local governments, USAID, and USAID-financed NGOs from both Ecuador and Peru.

As a result of USAID activities, strong partnerships have been created with implementing NGOs and the Government of Ecuador, and are expanding availability and access to social services (health, water, and sanitation). Indeed, best practices developed under this program are shared with other USAID programs in Ecuador. For example, its successful approach for achieving sustainability through functioning Water Board, and public repository of proven designs for public services, being adopted by other implementing entities including those under the Northern Border Program. This program has succeeded in improving natural resources management in selected areas along the southern border. Successful approaches to land titling critical to natural resources management, are also being shared with other USAID programs. The demonstrated capacity of several municipalities to effectively deliver services with greater citizen participation and oversight, is instilling in local communities an appreciation of the benefits of good governance. This is particularly important for long-term economic stability and continued economic growth along the southern border. As the region's citizenry works together to build sustainable community service systems, its sense of self-reliance and local empowerment is increasing.

Continued progress will mean that by the end of the program there will be approximately 529,471 beneficiaries in the target region whose lives collectively are improved by greater access to social services, the adoption of improved natural resources management practices and the benefits of more effective local government.

US Financing in Thousands of Dollars

Ecuador

518-011 Southern Border Integration	ESF
Through September 30, 2001	
Obligations	10,142
Expenditures	3,405
Unliquidated	6,737
Fiscal Year 2002	
Obligations	2,250
Expenditures	7,278
Through September 30, 2002	
Obligations	12,392
Expenditures	10,683
Unliquidated	1,709
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	2,250
Total Planned Fiscal Year 2003	
Obligations	2,250
Proposed Fiscal Year 2004 NOA	
Obligations	2,250
Future Obligations	4,608
Est. Total Cost	21,500

Data Sheet

USAID Mission:	Ecuador
Program Title:	Democracy and Conflict Prevention
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	518-012
Status:	Continuing
Proposed FY 2003 Obligation:	\$10,000,000 ESF
Prior Year Unobligated:	\$100,000 DA
Proposed FY 2004 Obligation:	\$100,000 DA; \$8,000,000 ESF
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2005

Summary: The level of support and confidence in democracy in Ecuador is alarmingly low as shown by the first Democratic Values Survey completed in November 2001 by the University of Pittsburgh. To help reverse this situation and prevent a return to non-democratic government, which will have a negative impact on regional stability, USAID seeks to increase support for the democratic system by strengthening the transparency and accountability of democratic institutions, fostering greater inclusiveness of key historically disadvantaged groups in crucial democratic processes, and increasing consensus on policies critical to democratic consolidation through the justice system, anti-corruption, and democratic local governance. During Ecuador's presidential elections in 2002, USAID also supported free and fair elections as a means of reinforcing the legitimacy of democracy.

Inputs, Outputs, Activities:

FY 2003 Program:

Justice reform (\$3,552,000 ESF). Funds will be used to: (a) continue supporting effective implementation of the new Criminal Procedures Code through specialized training, technical assistance, further reforms to the Code, and dissemination of the Code to the public; (b) support public-private partnerships to strengthen justice reform through the Justice and Democracy Fund; (c) support the efforts of the Civil Society Justice Coalition to produce technical material and lobby for key justice reforms and to promote judicial independence and impartiality; (d) develop a judicial evaluation program and implement an Internal Affairs Office in the National Judicial Council (CNJ); and (e) initiate a program promoted by a local non-governmental organization (NGO), aimed at ensuring a simpler, more transparent legal framework to protect rights and facilitate investment. An exchange program implemented in partnership with the Public Affairs Section of the Department of State will permit judges, mayors, and others to visit the United States to share experiences with and learn from counterpart organizations. The prime partner for justice activities is Fundacion Esquel which works with NGOs, public sector organizations and national and international justice organizations. Hacia La Seguridad is the prime partner implementing legal reforms to facilitate investment.

Democratic local governance (\$2,640,000 ESF). USAID will continue municipal strengthening, citizen participation, and decentralization efforts to strengthen the capacity of 15 local governments and their communities to engage democratically in the effective planning and delivery of services prioritized by communities. Funds will also be used to initiate efforts to systematically share lessons from 15 municipalities nationwide. Additionally, USAID will initiate activities to make fiscal decentralization more equitable, transparent, and predictable and begin a follow-on program to expand this area. Associates in Rural Development (ARD) is the prime partner for advancing USAID democratic local governance efforts.

Anti-corruption and transparent/accountable democracy (\$3,808,000 ESF): In January 2003, an assessment of corruption in Ecuador and recommendations for combating was completed. This will lead to the design of a new activity to strengthen and build upon work to date with the Civic Anti-Corruption Commission. In addition, USAID is assessing the potential for supporting the enhancement of new

leadership in political parties and supporting civil society oversight in democratic processes and political reform. Principal contractors and/or grantees are to be determined.

FY 2004 Program:

Justice reform (\$2,586,000 ESF). USAID plans to use funds to: a) provide advanced training and technical assistance for the implementation of the new accusatory system, (b) support the design and initial implementation of a public defense system, (c) expand public-private partnerships to strengthen justice reform, (d) strengthen the efforts of civil society groups to promote justice reforms and judicial independence, and (e) complete purification of statutes and law reform proposals for Congressional approval.

Democratic local governance (\$1,888,000 ESF). USAID assistance will: (a) distill lessons learned from the implementation of the project in the selected 15 municipalities, (b) advance dialogue and provide technical support to improve fiscal decentralization with the new GOE, and (c) expand assistance to other municipalities of the country to promote local democratic governance.

Anti-corruption and transparent/accountable democracy (\$3,526,000 ESF; \$100,000 DA). USAID will continue implementation of an activity currently under design to promote transparency and fight corruption and continue its efforts to strengthen civil society oversight of government. Funds will be used to continue supporting efforts to promote new leadership in political parties and support domestic observation and citizen participation in local and provincial elections.

Performance and Results: USAID support was critical to Ecuador's successful elections, building local governance, and fighting corruption. Ecuador's first-ever democratic values survey, with USAID support, became a useful analytical and planning tool for democracy supporters in the country. In terms of elections, the domestic observation group "Participacion Ciudadana" (PC) supported by USAID and other donors, mobilized over 4,000 young volunteers from across the country to: (a) produce an electoral code of conduct, (b) monitor campaign spending, and (c) conduct and publicize a statistically accurate "quick count" of presidential election results that confirmed official results. PC served as a school for democracy for thousands of citizens. USAID funding to strengthen the Electoral Tribunal and international observation was critical to the transparency, freeness, and fairness of these elections. In terms of justice, USAID supported a thorough evaluation of the application and text of the new Criminal Procedures Code that will allow the country to define and take specific institutional and legal reforms to implement the new system. A civil society justice coalition defined a strategy to promote justice reform and judicial independence and impartiality. In promoting democratic local governance, USAID's partner was successful in carrying out participatory processes in the selection of services, and in designing action plans to improve these services in 15 municipalities and benefiting over one million citizens.

The Mission expects to see significant advances in implementation of the new Code of Criminal Procedures, judicial independence, and decentralization. USAID will continue to work closely with the GOE's interagency commission to build Ecuador's capacity to execute effectively the new criminal procedure code. The Judiciary will be more independent through implementation of a USAID-supported evaluation system for judges and an Internal Affairs office. A more coherent fiscal decentralization strategy will be defined and "lessons learned" will be widely disseminated. It is expected that these efforts will contribute to greater local government legitimacy. Furthermore, Participacion Ciudadana will consolidate gains made during the 2002 election and will hopefully become a key player in civil society oversight of government.

US Financing in Thousands of Dollars

Ecuador

	DA	ESF
518-012 Democracy and Conflict Prevention		
Through September 30, 2001		
Obligations	6,107	5,840
Expenditures	4,526	957
Unliquidated	1,581	4,883
Fiscal Year 2002		
Obligations	100	7,500
Expenditures	1,061	892
Through September 30, 2002		
Obligations	6,207	13,340
Expenditures	5,587	1,849
Unliquidated	620	11,491
Prior Year Unobligated Funds		
Obligations	100	0
Planned Fiscal Year 2003 NOA		
Obligations	0	10,000
Total Planned Fiscal Year 2003		
Obligations	100	10,000
Proposed Fiscal Year 2004 NOA		
Obligations	100	8,000
Future Obligations	0	10,000
Est. Total Cost	6,407	41,340

Data Sheet

USAID Mission:	Ecuador
Program Title:	Northern Border Development Program
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	518-013
Status:	Continuing
Proposed FY 2003 Obligation:	\$16,000,000 ACI
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$15,000,000 ACI
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2006

Summary: USAID's Northern Border Program is aimed at improving the lives of people living in six provinces adjacent to Ecuador's northern border, through strengthening their communities and thereby reducing the impact of spillover from violence in Colombia. Principal activities underway and continuing in FY 2003 include: support for social infrastructure projects, especially potable water and sanitation; productive infrastructure, primarily farm-to-market roads, small bridges and irrigation canals; training activities to strengthen civil society organizations; and assistance to displaced Colombians and receptor communities. Future plans include improving local government capacity, strengthening democratic governance and increasing employment and income.

Inputs, Outputs, Activities:

FY 2003 Program:

Citizen satisfaction with performance of local democratic institutions (\$10,250,000 INC). USAID will support the construction of water and sanitation systems for another 15-20 communities in FY 2003, which will bring clean water and sanitation benefits to another 50,000 beneficiaries across several municipalities in at least four provinces. Technical assistance (TA) and training will be provided to design and construct infrastructure systems as well as to build community to assure the sustainable management and maintenance of these systems. Additionally, support will be given to create links between community organizations and municipal governments. This activity will also help approximately 15 municipalities address a wider range of governance issue democratically, in close collaboration with citizens including: participatory planning, budgeting and financial management; transparent contracting in public services; promotion of economic development; and environmental management. USAID will expand the community organizations' strengthening activities currently underway by building the capacity of local indigenous groups, non-governmental organizations (NGOs), and community-based organizations to participate effectively in local government planning, decision-making and oversight, conflict resolution, leadership training, defense of human rights, and local economic development. Activities leading to achievement of these results will be carried out through a competitively awarded cooperative agreement or grant to a U.S and/or Ecuadorian private voluntary organization (PVO) or consortium, to be identified once funding is available this fiscal year. A Cooperative Agreement with the International Organization for Migration IOM will be the mechanism for executing the infrastructure and sustainability activity. IOM works closely with local governments as well as private contractors, and has signed agreements with communities for their support to ensure success.

Licit income and employment opportunities (\$5,600,000 INC). USAID assistance will be used to support productive infrastructure, including construction and rehabilitation of roads, bridges and irrigation systems and land titling, thus ensuring communities' market access. Expansion of this component is planned in FY 2003, with completion of the Carchi Province border road and the addition of five irrigation systems covering nearly 7,000 hectares and benefiting 16,000 small farmers in rural Carchi. Since title to land is a major constraint to securing a key productive asset and is a strong felt need among the population, USAID will continue to expand efforts to overcome obstacles to obtaining titles. This will include policy dialogue with the GOE to streamline procedures for land titling. The support will include technical

assistance and direct support to farmers to obtain titles to their properties. The number of beneficiaries will be expanded to nearly 3,000 by the end of FY 2003. Building on the infrastructure and land titling efforts cited above, a significant new activity planned for FY 2003 is to increase competitiveness of existing rural enterprises by mitigating constraints to increasing jobs and incomes. The program will undertake new activities to strengthen linkages between small/medium producers, buyers, processors, and local and international markets; and build alliances between public and private actors. Expert technical assistance will bring U.S. know-how to bear on improving agricultural production. A USAID-supported competitive grants fund will help overcome constraints for which private money is not readily available due to perceived risk or lack of information or incentives. Examples of projects to be supported by this fund include: on-farm technical assistance (TA) to increase production; TA to help producers meet phytosanitary requirements, quality, and certification standards; promotion of exports in foreign markets; and prefeasibility studies. Opportunities have already been identified for potential funding in cacao, bamboo, and vegetables. Implementing partners to be considered for this include qualified U.S. Government (USG) agencies, U.S. consulting firms, and local or international organizations with rural development experience in Ecuador.

Public diplomacy strategy for awareness building (\$150,000 INC). Funds will be used to educate the Ecuadorian public about the potential coca/cocaine threat and build awareness about the efforts by the USG and GOE to address the multiple spillover effects from Colombia. This activity will be implemented by the U.S. Department of State.

FY 2004 Program:

Citizen satisfaction with performance of local democratic institutions (approximately \$8,500,000 INC). USAID will continue to assist the construction and rehabilitation of water systems and related infrastructure in six provinces, aimed at demonstrating to the population that their government works and provides useful services. USAID efforts will also contribute to the expansion of local government development and improved governance to additional municipalities.

Increased licit income and employment opportunities (estimated at \$6,500,000 INC). Funds will be used to expand productive infrastructure and land titling efforts, as well as technical assistance, training and grant funds to strengthen farm-to-market linkages in support of improved rural competitiveness and increased employment and incomes.

Performance and Results: More than 132,000 poor marginalized beneficiaries, many for the first time, now have potable water, improved access to their villages and a sense of hope for the future. In FY 2002, twenty-one water systems were built or improved, benefiting 30,000 Ecuadorians; while the completion of 18 new pedestrian and vehicular bridges made easier access to markets a reality for thousands more. Just as important were the improvements in community organizations aimed at strengthening leadership and organizational capacity building. About 50,000 persons, mostly Afro-Ecuadorians or members of indigenous groups were the beneficiaries of these interventions.

In FY 2003, not only will the numbers of beneficiaries of the above activities expand significantly, but important new efforts to sustain these gains will be accomplished through the creation of technical and managerial capacity in several municipalities, as well as additional community participation efforts to enhance governability and legitimacy of local government. USAID's interventions will assist the GOE to contain the spread of the Andean Regional coca/cocaine economy into Ecuador by addressing structural and latent factors that can aggravate spillover, namely weak democratic institutions, weak state presence, weak community structures, poverty, and a dearth of licit economic opportunities.

US Financing in Thousands of Dollars

Ecuador

	ACI	Plan Colombia
518-013 Northern Border Development Program		
Through September 30, 2001		
Obligations	0	8,000
Expenditures	0	2,257
Unliquidated	0	5,743
Fiscal Year 2002		
Obligations	10,000	0
Expenditures	3	5,568
Through September 30, 2002		
Obligations	10,000	8,000
Expenditures	3	7,825
Unliquidated	9,997	175
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	16,000	0
Total Planned Fiscal Year 2003		
Obligations	16,000	0
Proposed Fiscal Year 2004 NOA		
Obligations	15,000	0
Future Obligations	28,000	0
Est. Total Cost	69,000	8,000

Data Sheet

USAID Mission:	Ecuador
Program Title:	Poverty Reduction
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	518-014
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,030,000 DA; \$8,000,000 ESF
Prior Year Unobligated:	\$80,000 DA
Proposed FY 2004 Obligation:	\$2,030,000 DA; \$5,000,000 ESF
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2006

Summary: USAID's Poverty Reduction program is targeted at reducing both rural and urban poverty through a two-pronged approach. The first intervention aims to develop a strong and sustainable microfinance sector in Ecuador, increasing access to financial and non-financial services by rural and urban micro-entrepreneurs. Activities are focused on institutional strengthening of microfinance service providers and the creation of a facilitative regulatory and supervisory framework. The second intervention aims to improve the macroeconomic environment for more equitable growth. Activities are designed to help improve tax policy and administration; strengthen the investment climate; promote competitiveness; and develop a strong, liberalized, and more transparent financial sector.

Inputs, Outputs, Activities:

FY 2003 Program:

Access to microfinance services (\$2,030,000 DA, \$360,000 ESF). Continued intensive technical support to the Superintendency of Banks will be provided if the political and administrative commitment is present. This will hinge on the new Government's policies. The highest priority is passage of a normative framework for private credit bureaus followed by assistance in establishing these bureau(s) and defining how they interact with the Superintendency. Support will broaden the Superintendency's capacity to appropriately and competently supervise microfinance and other financial product areas in general, using improved risk-based supervision instruments. Assistance will strengthen high potential microfinance service providers to continue to expand and diversify product offerings. Further, USAID identified inadequate information systems as the most important constraint to the growth of microfinance institutions. Funds will be used to install and test microfinance software in four microfinance institutions with possible system roll-out in more institutions. USAID also plans to initiate an intensive program to provide technical support to credit unions for their transition to meet new, more rigorous supervision requirements and to facilitate interconnection of services across credit unions in different geographic areas. An analysis of a multi-donor supported second story financing institution will be conducted and a decision made as to its viability. If such an institution can fill a key need in the sector, support will be provided for its organization and capitalization. Prime partners include Development Alternatives, Inc. (DAI) and the World Council of Credit Unions (WOCCU).

Macroeconomic policies/environment for more equitable growth (\$7,640,000 ESF). Support to the Internal Revenue Service (SRI) will continue. Measures to build stronger tax policy capabilities within the institution will be promoted along with supplying technical assistance, training and advanced software to improve the SRI's ability to administer taxes. Assistance to the Ecuadorian Customs Corporation (CAE) will follow through with specific backing of a "zero paper" automated customs processing and information system. Further work to strengthen the financial sector will be done through fortifying the regulatory norms and capabilities of the Superintendency of Banks. Work with the Ministry of Economy and Finance (MEF) will involve, initially, implementation of a transition plan for the incoming Minister of Economy and Finance. Thereafter, short, medium and long-term capacity building activities will be undertaken in order to facilitate implementation of recently approved fiscal reforms. Stage II of the Debt Restructuring Process will be launched by hiring a private entity to recover the public debt loans restructured by the

Credit Restructuring Unit of the Superintendency of Banks. In order to address competitiveness, trade deficiencies, and structural reform, an assessment will be commissioned to evaluate and prioritize the most urgent needs of the country. Based on this analysis, new activities to promote trade, competitiveness, and liberalization will be undertaken. Prime partners include DAI and Chemonics International, Inc.

FY 2004 Program:

Access to microfinance services (\$2,030,000 DA, \$1,000,000 ESF). Funds will be used to continue intensive technical assistance to the Superintendency of Banks and microfinance service providers, including banks, finance companies, credit unions, and NGOs committed to becoming licensed financial intermediaries. Finally, based on analysis of the demand, approximately \$2 million will be used to capitalize microfinance institutions through either debt or equity instruments, or both.

Macroeconomic policies/environment for more equitable growth (\$4,000,000 ESF). Planned assistance to the SRI will focus on specific measures to promote equity in the taxation system, as well as on continued strengthening of the audit and administrative capacity of the institution. CAE plans to receive support by means of technical assistance in its declaration filing system, training personnel in customs valuation rules, and, potentially, backing for changes in the Ecuadorian customs law to allow for more control by CAE officials. Work in strengthening of the financial sector will continue through fortifying the regulatory norms and capabilities of the Superintendency of Banks. Following an assessment of the Ministry of Economy and Finance's performance in terms of implementation of the fiscal reform, further strengthening of the institution's capacity may be undertaken. Activities to promote trade, competitiveness, and structural reforms in the country may become an important part of the macro component in FY 2004. The selection of activities that will be undertaken in these sectors will depend on the results of the assessment.

Performance and Results: USAID's support to the Superintendency of Banks has resulted in the approval and application of a new microfinance regulatory framework, followed by the development of a new set of supervisory manuals and initial pilot testing of these manuals with newly trained personnel. After six months of intensive technical assistance to eight microfinance institutions, the number of clients served increased by nearly 25% as of September 30, 2002, already surpassing the December target. USAID signed an agreement for a 50% guaranty of a \$4 million loan to Banco Solidario under the Development Credit Authority (DCA) which will provide the bank with an extra cushion of liquidity as this fast-growing microfinance institution expands.

Through selectively applied technical assistance, USAID has contributed to the improvement of the revenue collection systems by consolidating the tax policy and tax administration capacities of the SRI. The broad assessment performed at CAE is an initial step that contributes to that same goal. An initial assessment and mapping of donor resources will improve the national budget management and expenditure process headed by MEF and, more immediately, will facilitate the transition to the new government. Finally, by shifting significant amounts of public sector debt overhang into either paying arrangements or to a fast-track liquidation process, the Debt Restructuring Activity has begun to bring significant clarity to the status of Ecuador's financial sector. In the Debt Restructuring Activity, USAID became the lead coordinator among the most influential donors (IMF, World Bank, IDB, CAF) to develop a united front which assured that the GOE would bring forth its best efforts in support of this critical activity. Consequently, this very successful donor coordination experience has set the tone for similar efforts across the gamut of macroeconomic initiatives in which USAID will be involved. Positive macroeconomic results obtained to-date have relied on the new Government's willingness for change. This will continue to be the significant factor affecting our success. As a result of USAID's assistance, rural and urban poverty will be reduced and economic opportunities increased for the poor.

US Financing in Thousands of Dollars

Ecuador

518-014 Poverty Reduction	DA	DCA	ESF
Through September 30, 2001			
Obligations	1,700	0	1,831
Expenditures	64	0	0
Unliquidated	1,636	0	1,831
Fiscal Year 2002			
Obligations	1,186	198	5,495
Expenditures	1,174	0	0
Through September 30, 2002			
Obligations	2,886	198	7,326
Expenditures	1,238	0	0
Unliquidated	1,648	198	7,326
Prior Year Unobligated Funds			
Obligations	80	0	0
Planned Fiscal Year 2003 NOA			
Obligations	2,030	0	8,000
Total Planned Fiscal Year 2003			
Obligations	2,110	0	8,000
Proposed Fiscal Year 2004 NOA			
Obligations	2,030	0	5,000
Future Obligations	2,030	0	8,000
Est. Total Cost	9,056	198	28,326